

AMENDED IN ASSEMBLY APRIL 8, 2013  
AMENDED IN ASSEMBLY MARCH 21, 2013  
CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 975**

---

**Introduced by Assembly Members Wieckowski and Bonta**

February 22, 2013

---

An act to amend Sections 127280, 127400, and 129050 of, to add Chapter 2.6 (commencing with Section 127470) to Part 2 of Division 107 of, and to repeal Article 2 (commencing with Section 127340) of Chapter 2 of Part 2 of Division 107 of, the Health and Safety Code, and to amend Section 214 of the Revenue and Taxation Code, relating to health facilities.

LEGISLATIVE COUNSEL’S DIGEST

AB 975, as amended, Wieckowski. Health facilities community benefits.

Existing law makes certain findings and declarations regarding the social obligation of private nonprofit hospitals to provide community benefits in the public interest, and requires these hospitals, among other responsibilities, to adopt and update a community benefits plan for providing community benefits either alone, in conjunction with other health care providers, or through other organizational arrangements. Existing law requires each private nonprofit hospital, as defined, to complete a community needs assessment, as defined, and to thereafter update the community needs assessment at least once every 3 years. Existing law also requires the hospital to file a report on its community benefits plan and the activities undertaken to address community needs with the Office of Statewide Health Planning and Development. Existing

law requires the statewide office to make the plans available to the public. Existing law requires that each hospital include in its community benefits plan measurable objectives and specific benefits.

This bill would declare the necessity of establishing uniform standards for reporting the amount of charity care and community benefits a facility provides to ensure that private nonprofit hospitals and nonprofit multispecialty clinics actually meet the social obligations for which they receive favorable tax treatment, among other findings and declarations.

This bill would require a private nonprofit hospital and nonprofit multispecialty clinic, as defined, by January 1, 2015, to develop, in collaboration with the community, a community benefits statement, as specified, and a description of the process for approval of the community benefits statement by the hospital's or clinic's governing board, as specified. This bill would require the hospital or clinic, prior to adopting a community benefits plan, to complete a community needs assessment, as provided. The bill would authorize the hospital or clinic to create a community benefits advisory committee for the purpose of soliciting community input. This bill would require the hospital or clinic to make available to the public a copy of the assessment, file the assessment with the Office of Statewide Health Planning and Development, and update the assessment at least every 3 years.

This bill would also require a private nonprofit hospital and nonprofit multispecialty clinic, by April 1, 2015, to develop a community benefits plan that includes a summary of the needs assessment and a statement of the community health care needs that will be addressed by the plan, and list the services, as provided, that the hospital or clinic intends to provide in the following year to address community health needs identified in the community health needs assessments. The bill would require the hospital or clinic to make its community health needs assessment and community benefits plan or community health plan available to the public on its Internet Web site and would require that a copy of the assessment and plan be given free of charge to any person upon request.

This bill would require a private nonprofit hospital or nonprofit multispecialty clinic, after April 1, 2015, every 2 years to revise and submit its community benefits plan to the Office of Statewide Health Planning and Development, as specified, and would allow a hospital or clinic under the common control of a single corporation or other entity to file a consolidated plan, as provided. The bill would require

that the governing board of each hospital or clinic adopt the community benefits plan and make it available to the public, as specified.

This bill would require the Office of Statewide Health Planning and Development to develop and adopt regulations to prescribe a standardized format for community benefits plans, as provided, to provide technical assistance to help private nonprofit hospitals and nonprofit multispecialty clinics exempt from licensure comply with the community benefits provisions, to make public each community health needs assessment and community benefits plan and any comments received regarding those assessments and plans, and to annually calculate and make public the total value of community benefits provided by hospitals. This bill would authorize the Office of Statewide Health Planning and Development to assess a civil penalty, as provided, against any hospital or clinic that fails to comply with these provisions. This bill would make conforming changes.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property.

Existing property tax law establishes a welfare exemption under which property is exempt from taxation if, among other things, that property is used exclusively for religious, hospital, scientific, or charitable purposes and is owned and operated by an entity, as provided, that is itself organized and operated for those purposes.

Existing law provides that a hospital is not deemed to be organized or operated for profit if, during the immediately preceding fiscal year, the operating revenues, as defined, are not in excess of the operating expenses of the hospital by an amount equal to 10% of the hospital's operating expenses.

This bill would state that a hospital is rebuttably presumed to be organized or operated for profit if, during the immediately preceding fiscal year, the operating revenues, as defined, are in excess of the operating expenses of the hospital by an amount equal to more than 10% of the hospital's operating expenses and that this statement is a declaration ~~that this change constitutes a declaration~~ of existing law.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 127280 of the Health and Safety Code  
2 is amended to read:

1 127280. (a) Every health facility licensed pursuant to Chapter  
2 2 (commencing with Section ~~1200~~ 1250) of Division 2, except a  
3 health facility owned and operated by the state, shall each year be  
4 charged a fee established by the office consistent with the  
5 requirements of this section.

6 (b) Commencing in calendar year 2004, every freestanding  
7 ambulatory surgery clinic, as defined in Section 128700, shall each  
8 year be charged a fee established by the office consistent with the  
9 requirements of this section.

10 (c) The fee structure shall be established each year by the office  
11 to produce revenues equal to the appropriation made in the annual  
12 Budget Act or another statute to pay for the functions required to  
13 be performed by the office pursuant to this chapter, Chapter 2.6  
14 (commencing with Section 127470), or Chapter 1 (commencing  
15 with Section 128675) of Part 5, and to pay for any other  
16 health-related programs administered by the office. The fee shall  
17 be due on July 1 and delinquent on July 31 of *each* year.

18 (d) The fee for a health facility that is not a hospital, as defined  
19 in subdivision (c) of Section 128700, shall be not more than 0.035  
20 percent of the gross operating cost of the facility for the provision  
21 of health care services for its last fiscal year that ended on or before  
22 June 30 of the preceding calendar year.

23 (e) The fee for a hospital, as defined in subdivision (c) of Section  
24 128700, shall be not more than 0.035 percent of the gross operating  
25 cost of the facility for the provision of health care services for its  
26 last fiscal year that ended on or before June 30 of the preceding  
27 calendar year.

28 (f) The fee for a freestanding ambulatory surgery clinic shall  
29 be established at an amount equal to the number of ambulatory  
30 surgery data records submitted to the office pursuant to Section  
31 128737 for encounters in the preceding calendar year multiplied  
32 by not more than fifty cents (\$0.50).

33 (g) There is hereby established the California Health Data and  
34 Planning Fund within the office for the purpose of receiving and  
35 expending fee revenues collected pursuant to this chapter.

36 (h) Any amounts raised by the collection of the special fees  
37 provided for by subdivisions (d), (e), and (f) that are not required  
38 to meet appropriations in the Budget Act for the current fiscal year  
39 shall remain in the California Health Data and Planning Fund and  
40 shall be available to the office in succeeding years when

1 appropriated by the Legislature in the annual Budget Act or another  
2 statute, for expenditure under the provisions of this chapter,  
3 Chapter 2.6 (commencing with Section 127470), and Chapter 1  
4 (commencing with Section 128675) of Part 5, or for any other  
5 health-related programs administered by the office, and shall reduce  
6 the amount of the special fees that the office is authorized to  
7 establish and charge.

8 (i) (1) No health facility liable for the payment of fees required  
9 by this section shall be issued a license or have an existing license  
10 renewed unless the fees are paid. A new, previously unlicensed,  
11 health facility shall be charged a pro rata fee to be established by  
12 the office during the first year of operation.

13 (2) The license of any health facility, against which the fees  
14 required by this section are charged, shall be revoked, after notice  
15 and hearing, if it is determined by the office that the fees required  
16 were not paid within the time prescribed by subdivision (c).

17 SEC. 2. Article 2 (commencing with Section 127340) of  
18 Chapter 2 of Part 2 of Division 107 of the Health and Safety Code  
19 is repealed.

20 SEC. 3. Section 127400 of the Health and Safety Code is  
21 amended to read:

22 127400. The following definitions apply for the purposes of  
23 this article:

24 (a) "Allowance for financially qualified patient" means, with  
25 respect to services rendered to a financially qualified patient, an  
26 allowance that is applied after the hospital's charges are imposed  
27 on the patient, due to the patient's determined financial inability  
28 to pay the charges.

29 (b) (1) "Charity care" means the unreimbursed cost to a private  
30 nonprofit hospital or nonprofit multispecialty clinic of providing  
31 services to the uninsured or underinsured, as well as providing  
32 funding or otherwise financially supporting any of the following:

33 (A) Health care services or items on an inpatient or outpatient  
34 basis to a financially qualified patient with no expectation of  
35 payment.

36 (B) Health care services or items provided to a financially  
37 qualified patient through other nonprofit or public outpatient  
38 clinics, hospitals, or health care organizations with no expectation  
39 of payment.

(C) Community benefits, provided that the provision, funding, or financial support of those benefits is demonstrated to reduce community health care costs. For purposes of this subparagraph, “community benefits” means any of the following: vaccination programs and services for low-income families, chronic illness prevention programs and services, nursing and caregiver training provided without assessment of fees or payment of tuition, home-based health care programs for low-income families, or community-based mental health and outreach and assessment programs for low-income families. For purposes of this subparagraph, “low-income families” means families or individuals with income less than or equal to 350 percent of the federal poverty level.

(2) Charity care does not include any of the following:

(A) Uncollected fees or accounts written off as bad debt.

(B) Care provided to patients for which a public program or public or private grant funds pay for any of the charges for the care.

(C) Contractual adjustments in the provision of health care services below the amount identified as gross charges or “chargemaster” rates by the health care provider.

(D) Any amount over 125 percent of the Medicare rate for the health care services or items provided on an inpatient or outpatient basis.

(E) Any amount over 125 percent of the Medicare rate for providing, funding, or otherwise financially supporting health care services or items with no expectation of payment provided to financially qualified patients through other nonprofit or public outpatient clinics, hospitals, or health care organizations.

(F) The cost to a nonprofit hospital of paying a tax or other governmental assessment.

(c) “Federal poverty level” means the poverty guidelines updated periodically in the Federal Register by the United States Department of Health and Human Services under authority of subsection (2) of Section 9902 of Title 42 of the United States Code.

(d) “Financially qualified patient” means a patient who is both of the following:

1 (1) A patient who is a self-pay patient, as defined in subdivision  
2 (g) or a patient with high medical costs, as defined in subdivision  
3 (h).

4 (2) A patient who has a family income that does not exceed 350  
5 percent of the federal poverty level.

6 (e) "Hospital" means a facility that is required to be licensed  
7 under subdivision (a), (b), or (f) of Section 1250, except a facility  
8 operated by the State Department of State Hospitals or the  
9 Department of Corrections and Rehabilitation.

10 (f) "Office" means the Office of Statewide Health Planning and  
11 Development.

12 (g) "Self-pay patient" means a patient who does not have  
13 third-party coverage from a health insurer, health care service plan,  
14 Medicare, or Medicaid, and whose injury is not a compensable  
15 injury for purposes of workers' compensation, automobile  
16 insurance, or other insurance as determined and documented by  
17 the hospital. Self-pay patients may include charity care patients.

18 (h) "A patient with high medical costs" means a person whose  
19 family income does not exceed 350 percent of the federal poverty  
20 level, as defined in subdivision (c), if that individual does not  
21 receive a discounted rate from the hospital as a result of his or her  
22 third-party coverage. For these purposes, "high medical costs"  
23 means any of the following:

24 (1) Annual out-of-pocket costs incurred by the individual at the  
25 hospital that exceed 10 percent of the patient's family income in  
26 the prior 12 months.

27 (2) Annual out-of-pocket expenses that exceed 10 percent of  
28 the patient's family income, if the patient provides documentation  
29 of the patient's medical expenses paid by the patient or the patient's  
30 family in the prior 12 months.

31 (3) A lower level determined by the hospital in accordance with  
32 the hospital's charity care policy.

33 (i) "Patient's family" means the following:

34 (1) For persons 18 years of age and older, spouse, domestic  
35 partner, as defined in Section 297 of the Family Code, and  
36 dependent children under 21 years of age, whether living at home  
37 or not.

38 (2) For persons under 18 years of age, parent, caretaker relatives,  
39 and other children under 21 years of age of the parent or caretaker  
40 relative.

SEC. 4. Chapter 2.6 (commencing with Section 127470) is added to Part 2 of Division 107 of the Health and Safety Code, to read:

CHAPTER 2.6. COMMUNITY BENEFITS

Article 1. Hospital Community Benefits

127470. (a) The Legislature finds and declares the following:

(1) Access to health care services is of vital concern to the people of California.

(2) Health care providers play an important role in providing essential health care services in the communities they serve.

(3) Notwithstanding public and private efforts to increase access to health care, the people of California continue to have significant unmet health needs. Studies indicate that as many as 6.9 million Californians are uninsured during a year.

(4) The state has a substantial interest in ensuring that the unmet health needs of its residents are addressed. Health care providers can help address these needs by providing charity care and community benefits to the uninsured and underinsured members of their communities.

(5) Hospitals have different roles in the community depending on their mission, governance, tax status, and articles of incorporation. Private hospitals that are investor owned and have for-profit tax status pay property taxes, corporate income taxes, and other taxes, such as unemployment insurance, on a different basis than nonprofit, district, or public hospitals. Nonprofit health facilities, including hospitals and multispecialty clinics, as described in subdivision (l) of Section 1206, receive favorable tax treatment by the government and, in exchange, assume a social obligation to provide charity care and other community benefits in the public interest.

(b) It is the intent of the Legislature in enacting this chapter to provide uniform standards for reporting the amount of charity care and community benefits provided to ensure that private nonprofit hospitals and multispecialty clinics operated by nonprofit corporations, as described in subdivision (l) of Section 1206, actually meet the social obligations for which they receive favorable tax treatment.



1 127472. The following definitions apply for the purposes of  
2 this chapter:

3 (a) “Community” means the service area or patient population  
4 for which a private nonprofit hospital or nonprofit multispecialty  
5 clinic provides health care services.

6 (b) “Community benefits” means the unreimbursed goods,  
7 services, and resources provided by a private nonprofit hospital  
8 or nonprofit multispecialty clinic that addresses  
9 community-identified health needs and concerns, particularly for  
10 people who are uninsured, underserved, or members of a vulnerable  
11 population. Community benefits include, but are not limited to,  
12 charity care, as defined in Section 127400, the cost of community  
13 health improvement services and community benefit operations,  
14 and the cost of health professions education, subsidized health  
15 services for vulnerable populations, research, contributions to  
16 community groups, and community building activities.

17 (c) “Community benefits plan” means the written document  
18 prepared for annual submission to the office that includes, but is  
19 not limited to, a description of the activities that the private  
20 nonprofit hospital or nonprofit multispecialty clinic has undertaken  
21 to address identified community needs within its mission and  
22 financial capacity, and the process by which the hospital or clinic  
23 develops the plan in consultation with the community.

24 (d) “Community health needs assessment” means the process  
25 by which the private nonprofit hospital or nonprofit multispecialty  
26 clinic identifies, for its primary service area as determined by the  
27 hospital or clinic, unmet community needs.

28 (e) “Discounted care” means the cost for medical care provided  
29 consistent with Article 1 (commencing with Section 127400) of  
30 Chapter 2.5.

31 (f) “Free care” means the unreimbursed cost for medical care  
32 for a patient who cannot afford to pay for care provided consistent  
33 with Article 1 (commencing with Section 127400) of Chapter 2.5.

34 (g) “Nonprofit multispecialty clinic” means a clinic as described  
35 in subdivision (l) of Section 1206.

36 (h) “Office” means the Office of Statewide Health Planning and  
37 Development.

38 (i) “Private nonprofit hospital” means a private nonprofit acute  
39 care hospital operated or controlled by a nonprofit corporation, as  
40 defined in Section 5046 of the Corporations Code, that has been

determined to be exempt from taxation under the Internal Revenue Code. For purposes of this chapter, “private nonprofit hospital” does not include any of the following:

(1) A district hospital organized and governed pursuant to the Local Health Care District Law (Division 23 (commencing with Section 32000)).

(2) A rural general acute care hospital, as defined in subdivision (a) of Section 1250.

(3) *A children’s hospital, as defined in Section 10727 of the Welfare and Institutions Code.*

(j) “Underserved and vulnerable population” means a population that has disproportionate unmet health-related needs, such as a high prevalence of one or more health conditions or concerns, and that has limited access to timely, quality health care.

127473. A private nonprofit hospital or a nonprofit multispecialty clinic that reports community benefits to the community shall report on those community benefits in a consistent and comparable manner to all other private nonprofit hospitals and nonprofit multispecialty clinics.

127474. A private nonprofit hospital or a nonprofit multispecialty clinic shall make its community health needs assessment and community benefits plan or community health plan available to the public on its Internet Web site. A copy of the assessment and plan shall be given free of charge to any person upon request.

## Article 2. Community Benefits Statement, Community Needs Assessment, and Community Benefits Plan

127475. (a) Private nonprofit hospitals and nonprofit multispecialty clinics shall provide community benefits to the community.

(b) By January 1, 2015, each private nonprofit hospital and each nonprofit multispecialty clinic shall develop, in collaboration with the community, all of the following:

(1) A community benefits statement that describes the hospital’s or clinic’s commitment to developing, adopting, and implementing a community benefits program. The hospital’s or clinic’s governing board shall document that it has reviewed the clinic’s organizational mission statement and considered amendments to

1 it that would better align that organizational mission statement  
2 with the community benefits statement.

3 (2) A description of the process for approval of the community  
4 benefits statement by the hospital's or clinic's governing board,  
5 including a declaration that the board and administrators of the  
6 hospital or clinic shall be responsible for oversight and  
7 implementation of the community benefits plan. The board may  
8 establish a community benefits implementation committee that  
9 shall include members of the board, senior administrators, and  
10 community stakeholders.

11 (3) A community health needs assessment pursuant to Section  
12 127476 that evaluates the health needs and resources of the  
13 community it serves.

14 (c) By April 1, 2015, a private nonprofit hospital or nonprofit  
15 multispecialty clinic shall develop, in collaboration with the  
16 community, a community benefits plan pursuant to Section 127477  
17 designed to achieve all of the following outcomes:

18 (1) Access to health care for members of underserved and  
19 vulnerable populations.

20 (2) The addressing of essential health care needs of the  
21 community, with particular attention to the needs of members of  
22 underserved and vulnerable populations.

23 (3) The creation of measurable improvements in the health of  
24 the community, with particular attention to the needs of members  
25 of underserved and vulnerable populations.

26 127476. (a) Prior to adopting a community benefits plan, a  
27 private nonprofit hospital or nonprofit multispecialty clinic shall  
28 complete a community needs assessment that evaluates the health  
29 needs and resources of the community served by the hospital or  
30 clinic that is designed to achieve the outcomes specified in  
31 subdivision (c) of Section 127475.

32 (b) In conducting its community health needs assessment, a  
33 private nonprofit hospital or nonprofit multispecialty clinic shall  
34 solicit comments from and meet with local government officials,  
35 including representatives of local public health departments. A  
36 private nonprofit hospital or nonprofit multispecialty clinic shall  
37 also solicit comments from and meet with health care providers,  
38 registered nurses, community groups representing, among others,  
39 patients, labor, seniors, and consumers, and other health-related  
40 organizations. Particular attention shall be given to persons who

1 are themselves underserved and who work with underserved and  
2 vulnerable populations. Particular attention shall also be given to  
3 identifying local needs to address racial and ethnic disparities in  
4 health outcomes. A private nonprofit hospital or nonprofit  
5 multispecialty clinic may create a community benefits advisory  
6 committee for the purpose of soliciting community input.

7 (c) In preparing its community health needs assessment, a private  
8 nonprofit hospital or nonprofit multispecialty clinic shall use  
9 available public health data. A private nonprofit hospital or  
10 nonprofit multispecialty clinic may collaborate with other facilities  
11 and health care institutions in conducting community health needs  
12 assessments and may make use of existing studies in completing  
13 their own needs assessments.

14 (d) Prior to completing a community health needs assessment,  
15 a private nonprofit hospital or nonprofit multispecialty clinic shall  
16 make available to the public a copy of the assessment for review  
17 and comment.

18 (e) A community health needs assessment shall be filed with  
19 the office. A private nonprofit hospital or a nonprofit multispecialty  
20 clinic shall update its community needs assessment at least every  
21 three years.

22 127477. (a) By April 1, 2015, a private nonprofit hospital or  
23 nonprofit multispecialty clinic shall develop a community benefits  
24 plan that conforms with this chapter.

25 (b) In developing a community benefits plan, a private nonprofit  
26 hospital or nonprofit multispecialty clinic shall solicit comments  
27 from and meet with local government officials, including  
28 representatives of local public health departments. A private  
29 nonprofit hospital or nonprofit multispecialty clinic shall also  
30 solicit comments from and meet with health care providers,  
31 community groups representing, among others, patients, labor,  
32 seniors, and consumers, and other health-related organizations.  
33 Particular attention shall be given to persons who are themselves  
34 underserved, who work with underserved and vulnerable  
35 populations, and who work with populations at risk for racial and  
36 ethnic disparities in health outcomes.

37 (c) A community benefits plan shall include, at a minimum, all  
38 of the following:

39 (1) A summary of the needs assessment and a statement of the  
40 community health care needs that will be addressed by the plan.

1 (2) A list of the services the private nonprofit hospital or  
2 nonprofit multispecialty clinic intends to provide in the following  
3 year to address community health needs identified in the  
4 community health needs assessments. The list of services shall be  
5 categorized under the following:

6 (A) Charity care, as defined in subdivision (b) of Section  
7 127400.

8 (B) Other community benefits, including community health  
9 improvement services and community benefit operations, health  
10 professions education, subsidized health services, research, and  
11 contributions to community groups.

12 (C) Community building activities targeting underserved and  
13 vulnerable populations.

14 (3) A description of the target community or communities that  
15 the plan is intended to benefit.

16 (4) An estimate of the economic value of the community benefits  
17 that the private nonprofit hospital or nonprofit multispecialty clinic  
18 intends to provide.

19 (5) A summary of the process used to elicit community  
20 participation in the community health needs assessment and  
21 community benefits plan design, and a description of the process  
22 for ongoing participation of community members in plan  
23 implementation and oversight, and a description of how the  
24 assessment and plan respond to the comments received by the  
25 private nonprofit hospital or nonprofit multispecialty clinic from  
26 the community.

27 (6) A list of individuals, organizations, and government officials  
28 consulted during the development of the plan.

29 (7) A description of the intended impact on health outcomes  
30 attributable to the plan, including short- and long-term measurable  
31 goals and objectives.

32 (8) Mechanisms to evaluate the plan's effectiveness.

33 (9) The name and title of the individual responsible for  
34 implementing the plan.

35 (10) The names of individuals on the private nonprofit hospital's  
36 or nonprofit multispecialty clinic's governing board.

37 (11) If applicable, a report on the community benefits efforts  
38 of the preceding year, including the amounts and types of  
39 community benefits provided, in a manner to be prescribed by the  
40 office; a statement of the plan's impact on health outcomes,

1 including a description of the private nonprofit hospital's or  
2 nonprofit multispecialty clinic's progress toward meeting its short-  
3 and long-term goals and objectives; and an evaluation of the plan's  
4 effectiveness.

5 (d) A private nonprofit hospital or nonprofit multispecialty clinic  
6 may also report on bad debts and Medicare shortfalls, although  
7 these shall not be calculated or reported as community benefits.

8 (e) The governing board of a private nonprofit hospital or  
9 nonprofit multispecialty clinic shall adopt the community benefits  
10 plan. A private nonprofit hospital or nonprofit multispecialty clinic  
11 shall make its draft community benefits plan available to the public,  
12 in hard copy and on its Internet Web site, no later than 30 days  
13 prior to its adoption by the governing board of the private nonprofit  
14 hospital or nonprofit multispecialty clinic.

15 (f) After April 1, 2015, a private nonprofit hospital or nonprofit  
16 multispecialty clinic shall, every two years, revise and submit its  
17 community benefits plan to the office, no later than 120 days after  
18 the end of the hospital's or clinic's fiscal year.

19 (g) A person or entity may file comments on a private nonprofit  
20 hospital's or nonprofit multispecialty clinic's community benefits  
21 plan with the office.

22 (h) A private nonprofit hospital or nonprofit multispecialty  
23 clinic, under the common control of a single corporation or another  
24 entity, may file a consolidated plan if the plan addresses services  
25 in all of the categories listed in paragraph (2) of subdivision (c) to  
26 be provided by each hospital or clinic under common control of  
27 the corporation or entity.

28  
29 Article 3. Duties of the Office of Statewide Health Planning  
30 and Development  
31

32 127487. (a) (1) The office shall develop and adopt regulations  
33 to prescribe a standardized format for community benefits plans  
34 pursuant to this chapter.

35 (2) The office shall develop a standardized methodology for  
36 estimating the economic value of community benefits.

37 (3) In developing standard of reporting on community benefits,  
38 the office shall, to the maximum extent possible, conform to  
39 Internal Revenue Service reporting standards for those data  
40 elements reported to the Internal Revenue Service, but shall also

1 include those data elements required under this chapter or other  
2 state law, including charity care, as defined in Section 127400.

3 (4) A private nonprofit hospital or nonprofit multispecialty clinic  
4 shall annually file with the office its IRS Form 990, or its successor  
5 form, and the office shall post the form on its Internet Web site.

6 (b) The office shall provide technical assistance to help private  
7 nonprofit hospitals and nonprofit multispecialty clinics comply  
8 with this chapter.

9 (c) The office shall make public a community health needs  
10 assessment and community benefits plan and any comments  
11 received regarding those assessments and plans. The office shall  
12 make these documents available on its Internet Web site.

13 (d) The office shall annually calculate and make public the total  
14 value of community benefits provided by private nonprofit  
15 hospitals and nonprofit multispecialty clinics that report pursuant  
16 to this chapter.

17 127488. The office may assess a civil penalty against any  
18 private nonprofit hospital or nonprofit multispecialty clinic that  
19 fails to comply with this article in the same manner as specified  
20 in Section 128770.

21 SEC. 5. Section 129050 of the Health and Safety Code is  
22 amended to read:

23 129050. A loan shall be eligible for insurance under this chapter  
24 if all of the following conditions are met:

25 (a) The loan shall be secured by a first mortgage, first deed of  
26 trust, or other first priority lien on a fee interest of the borrower  
27 or by a leasehold interest of the borrower having a term of at least  
28 20 years, including options to renew for that duration, longer than  
29 the term of the insured loan. The security for the loan shall be  
30 subject only to those conditions, covenants and restrictions,  
31 easements, taxes, and assessments of record approved by the office,  
32 and other liens securing debt insured under this chapter. The office  
33 may require additional agreements in security of the loan.

34 (b) The borrower obtains an American Land Title Association  
35 title insurance policy with the office designated as beneficiary,  
36 with liability equal to the amount of the loan insured under this  
37 chapter, and with additional endorsements that the office may  
38 reasonably require.

39 (c) The proceeds of the loan shall be used exclusively for the  
40 construction, improvement, or expansion of the health facility, as

1 approved by the office under Section 129020. However, loans  
2 insured pursuant to this chapter may include loans to refinance  
3 another prior loan, whether or not state insured and without regard  
4 to the date of the prior loan, if the office determines that the amount  
5 refinanced does not exceed 90 percent of the original total  
6 construction costs and is otherwise eligible for insurance under  
7 this chapter. The office may not insure a loan for a health facility  
8 that the office determines is not needed pursuant to subdivision  
9 (k).

10 (d) The loan shall have a maturity date not exceeding 30 years  
11 from the date of the beginning of amortization of the loan, except  
12 as authorized by subdivision (e), or 75 percent of the office's  
13 estimate of the economic life of the health facility, whichever is  
14 the lesser.

15 (e) The loan shall contain complete amortization provisions  
16 requiring periodic payments by the borrower not in excess of its  
17 reasonable ability to pay as determined by the office. The office  
18 shall permit a reasonable period of time during which the first  
19 payment to amortization may be waived on agreement by the lender  
20 and borrower. The office may, however, waive the amortization  
21 requirements of this subdivision and of subdivision (g) of this  
22 section when a term loan would be in the borrower's best interest.

23 (f) The loan shall bear interest on the amount of the principal  
24 obligation outstanding at any time at a rate, as negotiated by the  
25 borrower and lender, as the office finds necessary to meet the loan  
26 money market. As used in this chapter, "interest" does not include  
27 premium charges for insurance and service charges if any. Where  
28 a loan is evidenced by a bond issue of a political subdivision, the  
29 interest thereon may be at any rate the bonds may legally bear.

30 (g) The loan shall provide for the application of the borrower's  
31 periodic payments to amortization of the principal of the loan.

32 (h) The loan shall contain those terms and provisions with  
33 respect to insurance, repairs, alterations, payment of taxes and  
34 assessments, foreclosure proceedings, anticipation of maturity,  
35 additional and secondary liens, and other matters the office may  
36 in its discretion prescribe.

37 (i) The loan shall have a principal obligation not in excess of  
38 an amount equal to 90 percent of the total construction cost.



1 (j) The borrower shall offer reasonable assurance that the  
2 services of the health facility will be made available to all persons  
3 residing or employed in the area served by the facility.

4 (k) The office has determined that the facility is needed by the  
5 community to provide the specified services. In making this  
6 determination, the office shall do all of the following:

7 (1) Require the applicant to describe the community needs the  
8 facility will meet and provide data and information to substantiate  
9 the stated needs.

10 (2) Require the applicant, if appropriate, to demonstrate  
11 participation in the community needs assessment required by  
12 Section 127476.

13 (3) Survey appropriate local officials and organizations to  
14 measure perceived needs and verify the applicant's needs  
15 assessment.

16 (4) Use any additional available data relating to existing facilities  
17 in the community and their capacity.

18 (5) Contact other state and federal departments that provide  
19 funding for the programs proposed by the applicant to obtain those  
20 departments' perspectives regarding the need for the facility.  
21 Additionally, the office shall evaluate the potential effect of  
22 proposed health care reimbursement changes on the facility's  
23 financial feasibility.

24 (6) Consider the facility's consistency with the Cal-Mortgage  
25 state plan.

26 (l) In the case of acquisitions, a project loan shall be guaranteed  
27 only for transactions not in excess of the fair market value of the  
28 acquisition.

29 Fair market value shall be determined, for purposes of this  
30 subdivision, pursuant to the following procedure, that shall be  
31 utilized during the office's review of a loan guarantee application:

32 (1) Completion of a property appraisal by an appraisal firm  
33 qualified to make appraisals, as determined by the office, before  
34 closing a loan on the project.

35 (2) Evaluation of the appraisal in conjunction with the book  
36 value of the acquisition by the office. When acquisitions involve  
37 additional construction, the office shall evaluate the proposed  
38 construction to determine that the costs are reasonable for the type  
39 of construction proposed. In those cases where this procedure  
40 reveals that the cost of acquisition exceeds the current value of a

1 facility, including improvements, then the acquisition cost shall  
2 be deemed in excess of fair market value.

3 (m) Notwithstanding subdivision (i), any loan in the amount of  
4 ten million dollars (\$10,000,000) or less may be insured up to 95  
5 percent of the total construction cost.

6 In determining financial feasibility of projects of counties  
7 pursuant to this section, the office shall take into consideration  
8 any assistance for the project to be provided under Section 14085.5  
9 of the Welfare and Institutions Code or from other sources. It is  
10 the intent of the Legislature that the office endeavor to assist  
11 counties in whatever ways are possible to arrange loans that will  
12 meet the requirements for insurance prescribed by this section.

13 (n) The project's level of financial risk meets the criteria in  
14 Section 129051.

15 SEC. 6. Section 214 of the Revenue and Taxation Code is  
16 amended to read:

17 214. (a) Property used exclusively for religious, hospital,  
18 scientific, or charitable purposes owned and operated by  
19 community chests, funds, foundations, limited liability companies,  
20 or corporations organized and operated for religious, hospital,  
21 scientific, or charitable purposes is exempt from taxation, including  
22 ad valorem taxes to pay the interest and redemption charges on  
23 any indebtedness approved by the voters prior to July 1, 1978, or  
24 any bonded indebtedness for the acquisition or improvement of  
25 real property approved on or after July 1, 1978, by two-thirds of  
26 the votes cast by the voters voting on the proposition, if:

27 (1) The owner is not organized or operated for profit.

28 (A) In the case of hospitals, the organization shall not be deemed  
29 to be organized or operated for profit if, during the immediately  
30 preceding fiscal year, operating revenues, exclusive of gifts,  
31 endowments, and grants-in-aid, did not exceed operating expenses  
32 by an amount equivalent to 10 percent of those operating expenses.  
33 As used herein, operating expenses include depreciation based on  
34 cost of replacement and amortization of, and interest on,  
35 indebtedness.

36 (B) In the case of hospitals, the organization shall be rebuttably  
37 presumed to be organized or operated for profit if, during the  
38 immediately preceding fiscal year, operating revenues, exclusive  
39 of gifts, endowments and grants-in-aid, exceed operating expenses  
40 by an amount equivalent to more than 10 percent of those operating

1 expenses. As used herein, operating expenses include depreciation  
2 based on cost of replacement and amortization of, and interest on,  
3 indebtedness.

4 (2) No part of the net earnings of the owner inures to the benefit  
5 of any private shareholder or individual.

6 (3) The property is used for the actual operation of the exempt  
7 activity, and does not exceed an amount of property reasonably  
8 necessary to the accomplishment of the exempt purpose.

9 (A) For the purposes of determining whether the property is  
10 used for the actual operation of the exempt activity, consideration  
11 shall not be given to use of the property for either or both of the  
12 following described activities if that use is occasional:

13 (i) The owner conducts fundraising activities on the property  
14 and the proceeds derived from those activities are not unrelated  
15 business taxable income, as defined in Section 512 of the Internal  
16 Revenue Code, of the owner and are used to further the exempt  
17 activity of the owner.

18 (ii) The owner permits any other organization that meets all of  
19 the requirements of this subdivision, other than ownership of the  
20 property, to conduct fundraising activities on the property and the  
21 proceeds derived from those activities are not unrelated business  
22 taxable income, as defined in Section 512 of the Internal Revenue  
23 Code, of the organization, are not subject to the tax on unrelated  
24 business taxable income that is imposed by Section 511 of the  
25 Internal Revenue Code, and are used to further the exempt activity  
26 of the organization.

27 (B) For purposes of subparagraph (A):

28 (i) "Occasional use" means use of the property on an irregular  
29 or intermittent basis by the qualifying owner or any other qualifying  
30 organization described in clause (ii) of subparagraph (A) that is  
31 incidental to the primary activities of the owner or the other  
32 organization.

33 (ii) "Fundraising activities" means both activities involving the  
34 direct solicitation of money or other property and the anticipated  
35 exchange of goods or services for money between the soliciting  
36 organization and the organization or person solicited.

37 (C) Subparagraph (A) shall have no application in determining  
38 whether paragraph (3) has been satisfied unless the owner of the  
39 property and any other organization using the property as provided  
40 in subparagraph (A) have filed with the assessor a valid

1 organizational clearance certificate issued pursuant to Section  
2 254.6.

3 (D) For the purposes of determining whether the property is  
4 used for the actual operation of the exempt activity, consideration  
5 shall not be given to the use of the property for meetings conducted  
6 by any other organization if the meetings are incidental to the other  
7 organization's primary activities, are not fundraising meetings or  
8 activities as defined in subparagraph (B), are held no more than  
9 once per week, and the other organization and its use of the  
10 property meet all other requirements of paragraphs (1) to (5),  
11 inclusive, of this subdivision. The owner or the other organization  
12 also shall file with the assessor a copy of a valid, unrevoked letter  
13 or ruling from the Internal Revenue Service or the Franchise Tax  
14 Board stating that the other organization, or the national  
15 organization of which it is a local chapter or affiliate, qualifies as  
16 an exempt organization under Section 501(c)(3) or 501(c)(4) of  
17 the Internal Revenue Code or Section 23701d, 23701f, or 23701w.

18 (E) Nothing in subparagraph (A), (B), (C), or (D) shall be  
19 construed to either enlarge or restrict the exemption provided for  
20 in subdivision (b) of Section 4 and Section 5 of Article XIII of the  
21 California Constitution and this section.

22 (4) The property is not used or operated by the owner or by any  
23 other person so as to benefit any officer, trustee, director,  
24 shareholder, member, employee, contributor, or bondholder of the  
25 owner or operator, or any other person, through the distribution  
26 of profits, payment of excessive charges or compensations, or the  
27 more advantageous pursuit of their business or profession.

28 (5) The property is not used by the owner or members thereof  
29 for fraternal or lodge purposes, or for social club purposes except  
30 where that use is clearly incidental to a primary religious, hospital,  
31 scientific, or charitable purpose.

32 (6) The property is irrevocably dedicated to religious, charitable,  
33 scientific, or hospital purposes and upon the liquidation,  
34 dissolution, or abandonment of the owner will not inure to the  
35 benefit of any private person except a fund, foundation, or  
36 corporation organized and operated for religious, hospital,  
37 scientific, or charitable purposes.

38 (7) The property, if used exclusively for scientific purposes, is  
39 used by a foundation or institution that, in addition to complying  
40 with the foregoing requirements for the exemption of charitable

1 organizations in general, has been chartered by the Congress of  
2 the United States (except that this requirement shall not apply  
3 when the scientific purposes are medical research), and whose  
4 objects are the encouragement or conduct of scientific  
5 investigation, research, and discovery for the benefit of the  
6 community at large.

7 The exemption provided for herein shall be known as the  
8 “welfare exemption.” This exemption shall be in addition to any  
9 other exemption now provided by law, and the existence of the  
10 exemption provision in paragraph (2) of subdivision (a) of Section  
11 202 shall not preclude the exemption under this section for museum  
12 or library property. Except as provided in subdivision (e), this  
13 section shall not be construed to enlarge the college exemption.

14 (b) Property used exclusively for school purposes of less than  
15 collegiate grade and owned and operated by religious, hospital, or  
16 charitable funds, foundations, limited liability companies, or  
17 corporations, which property and funds, foundations, limited  
18 liability companies, or corporations meet all of the requirements  
19 of subdivision (a), shall be deemed to be within the exemption  
20 provided for in subdivision (b) of Section 4 and Section 5 of Article  
21 XIII of the California Constitution and this section.

22 (c) Property used exclusively for nursery school purposes and  
23 owned and operated by religious, hospital, or charitable funds,  
24 foundations, limited liability companies, or corporations, which  
25 property and funds, foundations, limited liability companies, or  
26 corporations meet all the requirements of subdivision (a), shall be  
27 deemed to be within the exemption provided for in subdivision  
28 (b) of Section 4 and Section 5 of Article XIII of the California  
29 Constitution and this section.

30 (d) Property used exclusively for a noncommercial educational  
31 FM broadcast station or an educational television station, and  
32 owned and operated by religious, hospital, scientific, or charitable  
33 funds, foundations, limited liability companies, or corporations  
34 meeting all of the requirements of subdivision (a), shall be deemed  
35 to be within the exemption provided for in subdivision (b) of  
36 Section 4 and Section 5 of Article XIII of the California  
37 Constitution and this section.

38 (e) Property used exclusively for religious, charitable, scientific,  
39 or hospital purposes and owned and operated by religious, hospital,  
40 scientific, or charitable funds, foundations, limited liability

1 companies, or corporations or educational institutions of collegiate  
2 grade, as defined in Section 203, which property and funds,  
3 foundations, limited liability companies, corporations, or  
4 educational institutions meet all of the requirements of subdivision  
5 (a), shall be deemed to be within the exemption provided for in  
6 subdivision (b) of Section 4 and Section 5 of Article XIII of the  
7 California Constitution and this section. As to educational  
8 institutions of collegiate grade, as defined in Section 203, the  
9 requirements of paragraph (6) of subdivision (a) shall be deemed  
10 to be met if both of the following are met:

11 (1) The property of the educational institution is irrevocably  
12 dedicated in its articles of incorporation to charitable and  
13 educational purposes, to religious and educational purposes, or to  
14 educational purposes.

15 (2) The articles of incorporation of the educational institution  
16 provide for distribution of its property upon its liquidation,  
17 dissolution, or abandonment to a fund, foundation, or corporation  
18 organized and operated for religious, hospital, scientific, charitable,  
19 or educational purposes meeting the requirements for exemption  
20 provided by Section 203 or this section.

21 (f) Property used exclusively for housing and related facilities  
22 for elderly or handicapped families and financed by, including,  
23 but not limited to, the federal government pursuant to Section 202  
24 of Public Law 86-372 (12 U.S.C. Sec. 1701q), as amended, Section  
25 231 of Public Law 73-479 (12 U.S.C. Sec. 1715v), Section 236 of  
26 Public Law 90-448 (12 U.S.C. Sec. 1715z), or Section 811 of  
27 Public Law 101-625 (42 U.S.C. Sec. 8013), and owned and  
28 operated by religious, hospital, scientific, or charitable funds,  
29 foundations, limited liability companies, or corporations meeting  
30 all of the requirements of this section shall be deemed to be within  
31 the exemption provided for in subdivision (b) of Section 4 and  
32 Section 5 of Article XIII of the California Constitution and this  
33 section.

34 The amendment of this paragraph made by Chapter 1102 of the  
35 Statutes of 1984 does not constitute a change in, but is declaratory  
36 of, existing law. However, no refund of property taxes shall be  
37 required as a result of this amendment for any fiscal year prior to  
38 the fiscal year in which the amendment takes effect.

39 Property used exclusively for housing and related facilities for  
40 elderly or handicapped families at which supplemental care or

1 services designed to meet the special needs of elderly or  
2 handicapped residents are not provided, or that is not financed by  
3 the federal government pursuant to Section 202 of Public Law  
4 86-372 (12 U.S.C. Sec. 1701q), as amended, Section 231 of Public  
5 Law 73-479 (12 U.S.C. Sec. 1715v), Section 236 of Public Law  
6 90-448 (12 U.S.C. Sec. 1715z), or Section 811 of Public Law  
7 101-625 (42 U.S.C. Sec. 8013), shall not be entitled to exemption  
8 pursuant to this subdivision unless the property is used for housing  
9 and related facilities for low- and moderate-income elderly or  
10 handicapped families. Property that would otherwise be exempt  
11 pursuant to this subdivision, except that it includes some housing  
12 and related facilities for other than low- or moderate-income elderly  
13 or handicapped families, shall be entitled to a partial exemption.  
14 The partial exemption shall be equal to that percentage of the value  
15 of the property that is equal to the percentage that the number of  
16 low- and moderate-income elderly and handicapped families  
17 occupying the property represents of the total number of families  
18 occupying the property.

19 As used in this subdivision, “low and moderate income” has the  
20 same meaning as the term “persons and families of low or moderate  
21 income” as defined by Section 50093 of the Health and Safety  
22 Code.

23 (g) (1) Property used exclusively for rental housing and related  
24 facilities and owned and operated by religious, hospital, scientific,  
25 or charitable funds, foundations, limited liability companies, or  
26 corporations, including limited partnerships in which the managing  
27 general partner is an eligible nonprofit corporation or eligible  
28 limited liability company, meeting all of the requirements of this  
29 section, or by veterans’ organizations, as described in Section  
30 215.1, meeting all the requirements of paragraphs (1) to (7),  
31 inclusive, of subdivision (a), shall be deemed to be within the  
32 exemption provided for in subdivision (b) of Section 4 and Section  
33 5 of Article XIII of the California Constitution and this section  
34 and shall be entitled to a partial exemption equal to that percentage  
35 of the value of the property that the portion of the property serving  
36 lower income households represents of the total property in any  
37 year in which any of the following criteria applies:

38 (A) The acquisition, rehabilitation, development, or operation  
39 of the property, or any combination of these factors, is financed  
40 with tax-exempt mortgage revenue bonds or general obligation

1 bonds, or is financed by local, state, or federal loans or grants and  
2 the rents of the occupants who are lower income households do  
3 not exceed those prescribed by deed restrictions or regulatory  
4 agreements pursuant to the terms of the financing or financial  
5 assistance.

6 (B) The owner of the property is eligible for and receives  
7 low-income housing tax credits pursuant to Section 42 of the  
8 Internal Revenue Code of 1986, as added by Public Law 99-514.

9 (C) In the case of a claim, other than a claim with respect to  
10 property owned by a limited partnership in which the managing  
11 general partner is an eligible nonprofit corporation, that is filed  
12 for the 2000–01 fiscal year or any fiscal year thereafter, 90 percent  
13 or more of the occupants of the property are lower income  
14 households whose rent does not exceed the rent prescribed by  
15 Section 50053 of the Health and Safety Code. The total exemption  
16 amount allowed under this subdivision to a taxpayer, with respect  
17 to a single property or multiple properties for any fiscal year on  
18 the sole basis of the application of this subparagraph, may not  
19 exceed twenty thousand dollars (\$20,000) of tax.

20 (D) (i) The property was previously purchased and owned by  
21 the Department of Transportation pursuant to a consent decree  
22 requiring housing mitigation measures relating to the construction  
23 of a freeway and is now solely owned by an organization that  
24 qualifies as an exempt organization under Section 501(c)(3) of the  
25 Internal Revenue Code.

26 (ii) This subparagraph shall not apply to property owned by a  
27 limited partnership in which the managing partner is an eligible  
28 nonprofit corporation.

29 (2) In order to be eligible for the exemption provided by this  
30 subdivision, the owner of the property shall do both of the  
31 following:

32 (A) (i) For any claim filed for the 2000–01 fiscal year or any  
33 fiscal year thereafter, certify and ensure, subject to the limitation  
34 in clause (ii), that there is an enforceable and verifiable agreement  
35 with a public agency, a recorded deed restriction, or other legal  
36 document that restricts the project's usage and that provides that  
37 the units designated for use by lower income households are  
38 continuously available to or occupied by lower income households  
39 at rents that do not exceed those prescribed by Section 50053 of  
40 the Health and Safety Code, or, to the extent that the terms of



1 federal, state, or local financing or financial assistance conflicts  
2 with Section 50053, rents that do not exceed those prescribed by  
3 the terms of the financing or financial assistance.

4 (ii) In the case of a limited partnership in which the managing  
5 general partner is an eligible nonprofit corporation, the restriction  
6 and provision specified in clause (i) shall be contained in an  
7 enforceable and verifiable agreement with a public agency, or in  
8 a recorded deed restriction to which the limited partnership  
9 certifies.

10 (B) Certify that the funds that would have been necessary to  
11 pay property taxes are used to maintain the affordability of, or  
12 reduce rents otherwise necessary for, the units occupied by lower  
13 income households.

14 (3) As used in this subdivision, “lower income households” has  
15 the same meaning as the term “lower income households” as  
16 defined by Section 50079.5 of the Health and Safety Code.

17 (h) Property used exclusively for an emergency or temporary  
18 shelter and related facilities for homeless persons and families and  
19 owned and operated by religious, hospital, scientific, or charitable  
20 funds, foundations, limited liability companies, or corporations  
21 meeting all of the requirements of this section shall be deemed to  
22 be within the exemption provided for in subdivision (b) of Section  
23 4 and Section 5 of Article XIII of the California Constitution and  
24 this section. Property that otherwise would be exempt pursuant to  
25 this subdivision, except that it includes housing and related  
26 facilities for other than an emergency or temporary shelter, shall  
27 be entitled to a partial exemption.

28 As used in this subdivision, “emergency or temporary shelter”  
29 means a facility that would be eligible for funding pursuant to  
30 Chapter 11 (commencing with Section 50800) of Part 2 of Division  
31 31 of the Health and Safety Code.

32 (i) Property used exclusively for housing and related facilities  
33 for employees of religious, charitable, scientific, or hospital  
34 organizations that meet all the requirements of subdivision (a) and  
35 owned and operated by funds, foundations, limited liability  
36 companies, or corporations that meet all the requirements of  
37 subdivision (a) shall be deemed to be within the exemption  
38 provided for in subdivision (b) of Section 4 and Section 5 of Article  
39 XIII of the California Constitution and this section to the extent

1 the residential use of the property is institutionally necessary for  
2 the operation of the organization.

3 (j) For purposes of this section, charitable purposes include  
4 educational purposes. For purposes of this subdivision,  
5 “educational purposes” means those educational purposes and  
6 activities for the benefit of the community as a whole or an  
7 unascertainable and indefinite portion thereof, and do not include  
8 those educational purposes and activities that are primarily for the  
9 benefit of an organization’s shareholders. Educational activities  
10 include the study of relevant information, the dissemination of that  
11 information to interested members of the general public, and the  
12 participation of interested members of the general public.

13 (k) In the case of property used exclusively for the exempt  
14 purposes specified in this section, owned and operated by limited  
15 liability companies that are organized and operated for those  
16 purposes, the State Board of Equalization shall adopt regulations  
17 to specify the ownership, organizational, and operational  
18 requirements for those companies to qualify for the exemption  
19 provided by this section.

20 (l) The amendments made by Chapter 354 of the Statutes of  
21 2004 shall apply with respect to lien dates occurring on and after  
22 January 1, 2005.

23 SEC. 7. The amendment of Section 214 of the Revenue and  
24 Taxation Code made by this act does not constitute a change in,  
25 but is declaratory of, existing law.